

State Oil and Gas Council
July 16, 2014, meeting

Osborn Energy, LLC Abandoned Wells

Subject: Missouri Geological Survey (MGS) records indicate that Osborn Energy, LLC (Osborn Energy) owns twenty-three (23) improperly abandoned wells. MGS contacted Mr. Jim Osborn of Osborn Energy, LLC by telephone on March 14 and 20, 2014, and email on March 17, 2014. During the telephone conversations, Mr. Osborn stated he would not provide any information, he does not plan to plug the wells, and that the bonding instrument should be forfeited. MGS is holding a \$40,000 surety bond for Osborn Energy, LLC.

Background: Per the documented phone conversation on March 14, 2014, between Mr. Chris Vierrether and Mr. Jim Osborn, Osborn Energy was sold to a company in Chicago and is now defunct. It is unclear whether Mr. Osborn had legal ties with the buyer company, as he never tried to retrieve his bond after the sale. Mr. Osborn does not intend to pay further premiums on his bond, nor does he plan to plug the wells. Mr. Osborn stated to Mr. Vierrether that he thought MGS should forfeit the bond.

Upon review of Osborn Energy's well files, MGS found several names that could be potential additional contacts for the company, though no current phone numbers or email addresses were found. MGS's search for information regarding additional contacts for the company was largely unsuccessful.

The twenty-three (23) abandoned wells listed in the attached table are located in Cass County. Twenty (20) of the wells are on the Osborn Lease. The remaining three wells are on the Smith, Flanary, and Yahnig leases. Five (5) of the abandoned wells are enhanced oil recovery injection wells, which fall under Environmental Protection Agency (EPA) "significant non-compliance" status.

Per 10 CSR 50-2.040(5) and as directed by the State Oil and Gas Council at its April 16, 2014, meeting, the council approved the recommendation of the MGS that the aforementioned abandoned wells be plugged in accordance with the plugging procedures defined in the 10 CSR 50-2.060. MGS sent certified letters to Osborn Energy, LLC and Lanthrop & Gage LLP c/o Matthew Faul as recommended by Mr. Jim Osborn. These letters notified Osborn Energy, LLC of the plugging requirement and to contact MGS before July 2, 2014, regarding the plugging of the abandoned wells, with failure to contact the MGS by July 2, 2014, resulting in the potential forfeiture of Osborn Energy's bonds on file with the MGS. To date, Osborn Energy, LLC has not contacted the MGS.

Staff Recommendation: MGS recommends that the State Oil and Gas Council approve the forfeiture of Osborn Energy, LLC surety bond (bond number LPM4138145) in the amount of \$40,000 and the funds deposited in the Oil and Gas Remedial Fund for use to plug the twenty-three (23) abandoned wells per 10 CSR 50-2.060(10)(A).

COUNTY	COUNTY CODE	OGC NUMBER	LEASE NAME	WELL NO	WELL TYPE*
CASS	037	20720	OSBORN	1-9	3
CASS	037	20721	SMITH	1-22	3
CASS	037	20736	FLANARY	1244332	3
CASS	037	20741	YAHNIG	294331	3
CASS	037	20761	OSBORN	4-9	1
CASS	037	20764	OSBORN	7-9	4
CASS	037	20765	OSBORN	9-9	1
CASS	037	20767	OSBORN	13-9	1
CASS	037	20771	OSBORN	45-16	1
CASS	037	20772	OSBORN	46-17	1
CASS	037	20773	OSBORN	47-17	1
CASS	037	20774	OSBORN	52-17	1
CASS	037	20775	OSBORN	53-17	1
CASS	037	20776	OSBORN	54-16	1
CASS	037	20777	OSBORN	55-16	1
CASS	037	20779	OSBORN	17-43-33	1
CASS	037	20781	OSBORN	139-16	4
CASS	037	20782	OSBORN	140-17	4
CASS	037	20783	OSBORN	141-17	4
CASS	037	20784	OSBORN	48-17	1
CASS	037	20785	OSBORN	51-17	1
CASS	037	20793	OSBORN	1-32-17	4
CASS	037	20794	OSBORN	60-17WSW	9

*Well types:

1 = Production Well

3 = Gas Well

4 = Injection Well

9 = Water Well